

Douglas A. Ducey Governor **EXECUTIVE OFFICE**

April 17, 2018

The Honorable Michele Reagan Secretary of State 1700 W. Washington, 7th Floor Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 2nd Regular Session, which I signed on April 17, 2018:

- HB 2040 pharmacy board; definitions; reporting (Carter)
- HB 2041 pharmacy board; licenses; permits (Carter)
- HB 2065 public meetings; definition; penalties (Leach)
- HB 2125 task force; towing safety (Shope)
- HB 2126 government property; abatement; slum; blight (Leach)
- HB 2249 protective orders; filing requirements (Farnsworth, E.)
- HB 2250 physician assistants; prescribing authority; delegation (Carter)
- HB 2257 radiation regulatory boards; repeal; DHS (Carter)
- HB 2262 condominiums; termination; appraisals (Toma)
- HB 2306 towing companies; insurance companies; owners (Campbell)
- HB 2313 sentencing; monetary obligations; fine mitigation (Farnsworth, E.)
- HB 2322 health insurers; provider credentialing (Carter)
- HB 2327 federal officers; personal information; confidentiality (Farnsworth, E.)
- HB 2334 liquor omnibus (Weninger)
- HB 2411 health professionals; licensure; report (Mosley)
- HB 2521 vehicle size, weight and load (John)
- HB 2549 controlled substances; dosage limit (Carter)
- HB 2550 contractor qualifications; work experience (Toma)
- HB 2558 drug disposal; education (Cobb)
- HB 2588 misrepresentation; service animals (Cook)

HB 2604 limited liability company act; revisions

SB 1065 commercial vehicles; ports of entry (Brophy McGee)

SB 1120 tax exemption; special events; nonprofits (Kavanagh)

SB 1152 education; appropriation; noncustodial federal monies (Allen, S.)

SB 1218 developmental homes; licensure; investigations (Brophy McGee)

SB 1264 gift cards; dormancy fee; prohibition (Yarbrough)

SB 1274 public monies; recovery; illegal payments (Petersen)

SB 1291 schools; pupil assessment data (Brophy McGee)

SB 1295 producer fees; insurance (Kavanagh)

SB 1400 aggravated DUI; sentence; county jail (Smith)

SB 1450 independent oversight committees; appointment; duties (Barto)

Sincerely,

Douglas A. Ducey

Governor

State of Arizona

cc: Senate Secretary

Chief Clerk of the House of Representatives

Arizona News Service

Senate Engrossed House Bill FILED

MICHELE REAGAN

SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 238

HOUSE BILL 2322

AN ACT

AMENDING SECTIONS 20-456, 20-827 AND 20-829, ARIZONA REVISED STATUTES; AMENDING TITLE 20, ARIZONA REVISED STATUTES, BY ADDING CHAPTER 26; RELATING TO HEALTH INSURERS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 20-456, Arizona Revised Statutes, is amended to read:

20-456. <u>Cease and desist order for defined or prohibited</u> practices; civil penalty

- A. If after a hearing the director finds that the person charged has engaged or is engaging in any act or practice defined in or prohibited under this article as an illegal or unfair method of competition or an unfair or deceptive act or practice, the director shall order the person to cease and desist from the proscribed acts or practices.
- B. If the act or practice is a violation of section 20-443, 20-443.01, 20-444, 20-445, 20-446, 20-447, 20-448, 20-448.01, 20-448.02, 20-449, 20-451, 20-452 or 20-467, CHAPTER 26 OF THIS TITLE or a general business practice of committing or performing acts or omissions proscribed by sections 20-461, and 20-468 and 20-469, the director may also impose a civil penalty of not more than one thousand dollars for each act or violation but not to exceed an aggregate penalty of ten thousand dollars unless the person intentionally violates any section enumerated in this subsection, in which case the director may impose a civil penalty of up to five thousand dollars for each act or violation but not to exceed an aggregate penalty of fifty thousand dollars in any six month period.
- C. No order of the director pursuant to this section or order of a court to enforce it, or holding of a hearing, may in any manner relieve or absolve any person affected by the order or hearing from any other liability, penalty or forfeiture under law.
- Sec. 2. Section 20-827, Arizona Revised Statutes, is amended to read:

20-827. Participating health care professionals; definition

- A. A corporation holding a certificate of authority under this article may enter into contracts only with licensed hospitals approved for participation by the board of directors of the corporation, and with physicians, surgeons, dentists, optometrists, certified registered nurses, registered nurse practitioners, psychologists and chiropractors duly licensed and qualified to practice in this state, and may enter into contracts of participation with any hospital maintained and operated by this state or any political subdivision of this state.
 - B. A person subject to this article shall not:
- 1. Restrict or prohibit, by means of a policy or contract, whether written or otherwise, a licensed health care professional's good faith communication with the health care professional's patient concerning the patient's health care or medical needs, treatment options, health care risks or benefits.
- 2. Terminate a contract with or refuse to renew a contract with a health care professional solely because the professional in good faith does any of the following:

[[[[[] []]]] - 1 -

- (a) Advocates in private or in public on behalf of a patient.
- (b) Assists a patient in seeking reconsideration of a decision made by the person to deny coverage for a health care service.
 - (c) Reports a violation of law to an appropriate authority.
- C. For the purposes of this section, "health care professional" has the same meaning prescribed in section 20-3151.
- Sec. 3. Section 20-829, Arizona Revised Statutes, is amended to read:

20-829. Directors

The directors of such a corporation GOVERNED BY THIS ARTICLE shall at all times include representatives of:

- 1. Administrators or trustees of hospitals which have contracted with the corporation to render hospital service to subscribers, if the corporation is a hospital service corporation or a hospital and medical service corporation.
- 2. Physicians and surgeons licensed to practice in this state who have contracted with the corporation to render medical service to subscribers, if the corporation is a medical service corporation or a hospital and medical service corporation.
- 3. 1. Dentists licensed to practice in this state who have contracted with the corporation to render dental service to subscribers and who constitute a majority of the directors of the corporation, if the corporation is a dental service corporation.
- 4. 2. Optometrists licensed to practice in this state who have contracted with the corporation to render optometric service to subscribers, if the corporation is an optometric service corporation.
- 5. 3. The general public, exclusive of hospital representatives and physicians, dentists and optometrists.
- Sec. 4. Title 20, Arizona Revised Statutes, is amended by adding chapter 26, to read:

CHAPTER 26

PROVIDER CREDENTIALING

ARTICLE 1. GENERAL PROVISIONS

20-3401. Definitions

IN THIS CHAPTER, UNLESS THE CONTEXT OTHERWISE REQUIRES:

- 1. "APPLICANT" MEANS A PROVIDER THAT SUBMITS A CREDENTIALING APPLICATION TO A HEALTH INSURER TO BECOME A PARTICIPATING PROVIDER IN THE HEALTH INSURER'S NETWORK.
- 2. "APPLICATION" MEANS AN APPLICANT'S INITIAL APPLICATION TO BE CREDENTIALED AS A PARTICIPATING PROVIDER.
- 3. "CREDENTIALING" MEANS TO COLLECT, VERIFY AND ASSESS WHETHER A PROVIDER MEETS RELEVANT LICENSING, EDUCATION AND TRAINING REQUIREMENTS TO BECOME OR REMAIN A PARTICIPATING PROVIDER.
- 4. "DESIGNEE" MEANS A THIRD PARTY TO WHOM THE HEALTH INSURER HAS DELEGATED CREDENTIALING ACTIVITIES OR RESPONSIBILITIES.

Same Carlo

- 5. "HEALTH INSURER" MEANS A DISABILITY INSURER, GROUP DISABILITY INSURER, BLANKET DISABILITY INSURER, HEALTH CARE SERVICES ORGANIZATION, HOSPITAL SERVICE CORPORATION, MEDICAL SERVICE CORPORATION OR A HOSPITAL, MEDICAL, DENTAL AND OPTOMETRIC SERVICE CORPORATION AND INCLUDES THE HEALTH INSURER'S DESIGNEE. HEALTH INSURER DOES NOT INCLUDE A PHARMACY BENEFITS MANAGER AS DEFINED IN SECTION 20-3321.
- 6. "LOADING" MEANS TO INPUT A PARTICIPATING PROVIDER'S INFORMATION INTO A HEALTH INSURER'S BILLING SYSTEM FOR THE PURPOSE OF PROCESSING CLAIMS AND SUBMITTING REIMBURSEMENT FOR COVERED SERVICES.
- 7. "PARTICIPATING PROVIDER" MEANS A PROVIDER THAT HAS BEEN CREDENTIALED BY A HEALTH INSURER OR ITS DESIGNEE TO PROVIDE HEALTH CARE ITEMS OR SERVICES TO SUBSCRIBERS IN AT LEAST ONE OF THE HEALTH INSURER'S PROVIDER NETWORKS.
- 8. "PROVIDER" MEANS A PHYSICIAN, HOSPITAL OR OTHER PERSON THAT IS LICENSED IN THIS STATE OR THAT IS OTHERWISE AUTHORIZED TO FURNISH HEALTH CARE SERVICES IN THIS STATE.
- 9. "RECREDENTIALING" MEANS TO CONFIRM THAT A PARTICIPATING PROVIDER IS IN GOOD STANDING BY A HEALTH INSURER OR ITS DESIGNEE AND DOES NOT REQUIRE SUBMITTING AN APPLICATION OR GOING THROUGH A CONTRACTING AND LOADING PROCESS.
- 10. "SUBSCRIBER" MEANS A PERSON WHO IS ELIGIBLE TO RECEIVE HEALTH CARE BENEFITS PURSUANT TO A HEALTH INSURANCE POLICY OR COVERAGE ISSUED OR PROVIDED BY A HEALTH INSURER.
 - 20-3402. Requirements for electronic application submission
- A. A HEALTH INSURER SHALL ESTABLISH A PROCESS FOR THE ELECTRONIC SUBMISSION OF A CREDENTIALING APPLICATION. ON OR BEFORE DECEMBER 31, 2019, THE HEALTH INSURERS SHALL ADOPT AND IMPLEMENT A STANDARD APPLICATION.
- B. ON OR BEFORE DECEMBER 31, 2019, TO THE GREATEST EXTENT POSSIBLE, A HEALTH INSURER SHALL ESTABLISH AN ELECTRONIC PROCESS TO SUBMIT SUPPORTING DOCUMENTATION FOR A CREDENTIALING APPLICATION.
 - 20-3403. Credentialing; loading; timelines; exception
- A. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, THE HEALTH INSURER SHALL CONCLUDE THE PROCESS OF CREDENTIALING AND LOADING THE APPLICANT'S INFORMATION INTO THE HEALTH INSURER'S BILLING SYSTEM WITHIN ONE HUNDRED CALENDAR DAYS AFTER THE DATE THE HEALTH INSURER RECEIVES A COMPLETE APPLICATION.
- B. A HEALTH INSURER SHALL PROVIDE WRITTEN OR ELECTRONIC NOTICE OF THE APPROVAL OR DENIAL OF A CREDENTIALING APPLICATION TO AN APPLICANT WITHIN SEVEN CALENDAR DAYS AFTER THE CONCLUSION OF THE CREDENTIALING PROCESS.
- C. IF A LICENSED HEALTH CARE FACILITY HAS A DELEGATED CREDENTIALING AGREEMENT WITH A HEALTH INSURER, THE HEALTH INSURER IS NOT RESPONSIBLE FOR COMPLIANCE WITH THE TIMELINE PRESCRIBED IN SUBSECTION A OF THIS SECTION FOR AN APPLICANT WHO WORKS FOR THAT FACILITY, BUT SHALL CONCLUDE THE

- 3 -

LOADING PROCESS FOR THAT APPLICANT WITHIN TEN CALENDAR DAYS AFTER THE HEALTH INSURER RECEIVES A ROSTER OF DEMOGRAPHIC CHANGES RELATED TO NEWLY CREDENTIALED, TERMINATED OR SUSPENDED PARTICIPATING PROVIDERS.

20-3404. Acknowledgement of receipt of an application: notification of incomplete applications

- A. A HEALTH INSURER SHALL PROVIDE WRITTEN OR ELECTRONIC ACKNOWLEDGEMENT TO AN APPLICANT WITHIN SEVEN CALENDAR DAYS AFTER THE HEALTH INSURER'S RECEIPT OF THE APPLICANT'S APPLICATION. THE APPLICANT SHALL INCLUDE IN THE APPLICATION A CONTACT NAME, TELEPHONE NUMBER AND E-MAIL ADDRESS TO ADDRESS DISCREPANCIES IN THE APPLICATION.
- B. ON RECEIPT OF AN APPLICATION, A HEALTH INSURER SHALL PROMPTLY REVIEW THE APPLICATION TO DETERMINE IF THE APPLICATION IS COMPLETE.
- C. IF THE HEALTH INSURER DETERMINES THAT THE APPLICATION IS INCOMPLETE, THE HEALTH INSURER SHALL NOTIFY THE APPLICANT IN WRITING OR BY ELECTRONIC MEANS THAT THE APPLICATION IS INCOMPLETE WITHIN SEVEN CALENDAR DAYS AFTER THE DATE THE HEALTH INSURER RECEIVED THE APPLICATION. THE NOTICE SHALL INCLUDE A DETAILED LIST OF ALL OF THE ITEMS REQUIRED TO COMPLETE THE APPLICATION. A HEALTH INSURER MAY REQUEST SUPPLEMENTAL INFORMATION TO COMPLETE THE CREDENTIALING PROCESS.
- D. IF THE HEALTH INSURER DOES NOT SEND THE NOTICE TO THE APPLICANT WITHIN THE REQUIRED TIME FRAME SPECIFIED IN THIS SECTION, THE APPLICATION IS DEEMED COMPLETE FOR THE PURPOSES OF SECTION 20-3403.
- E. IF THE HEALTH INSURER NOTIFIES THE APPLICANT OF AN INCOMPLETE APPLICATION IN COMPLIANCE WITH SUBSECTION C OF THIS SECTION, THE TIME PERIODS SPECIFIED UNDER SECTION 20-3403 ARE TOLLED, AND THE APPLICATION IS SUSPENDED FROM THE DATE THE NOTIFICATION WAS SENT TO THE APPLICANT UNTIL THE DATE ON WHICH THE HEALTH INSURER RECEIVES THE INFORMATION FROM THE APPLICANT TO COMPLETE THE APPLICATION. IF THE HEALTH INSURER HAS NOT RECEIVED ANY RESPONSE PROVIDING THE REQUESTED INFORMATION IN SUBSECTION C OF THIS SECTION FROM THE APPLICANT AFTER THIRTY CALENDAR DAYS, THE INSURER MAY DEEM THE APPLICATION WITHDRAWN.
- F. ON RECEIPT OF A COMPLETE APPLICATION, A HEALTH INSURER MUST SEND THE APPLICANT A PROPOSED CONTRACT THAT IS COMPLETE AND READY FOR EXECUTION BY THE PARTIES.
- G. A HEALTH INSURER THAT ENTERS INTO A DELEGATED CREDENTIALING AGREEMENT WITH A LICENSED HEALTH CARE FACILITY OR THAT PARTICIPATES IN A HEALTH INSURER CREDENTIALING ALLIANCE WITH EQUIVALENT OR HIGHER STANDARDS THAN AS PRESCRIBED IN THIS SECTION IS DEEMED TO BE IN COMPLIANCE WITH THE REQUIREMENTS OF THIS SECTION.

20-3405. Reported discrepancies; corrective action

A HEALTH INSURER SHALL TAKE REASONABLE STEPS TO CORRECT DISCREPANCIES IN THE PROVIDER OR NETWORK PLAN DIRECTORY WITHIN THIRTY CALENDAR DAYS AFTER RECEIVING A WRITTEN OR ELECTRONIC REPORT OF THE DISCREPANCY FROM A PARTICIPATING PROVIDER. A PARTICIPATING PROVIDER SHALL NOTIFY A HEALTH INSURER OF ANY CHANGE IN THE PROVIDER'S NAME, ADDRESS,

- 1 1 -

 TELEPHONE NUMBER, BUSINESS STRUCTURE OR TAX IDENTIFICATION NUMBER WITHIN TEN BUSINESS DAYS AFTER MAKING THE CHANGE.

20-3406. Covered services; claims

A HEALTH INSURER MAY NOT DENY A CLAIM FOR A COVERED SERVICE PROVIDED TO A SUBSCRIBER BY A PARTICIPATING PROVIDER WHO HAS A FULLY EXECUTED CONTRACT WITH A NETWORK PLAN IF THE COVERED SERVICES ARE PROVIDED AFTER THE DATE OF APPROVAL OF THE CREDENTIALING APPLICATION.

20-3407. Availability of credentialing information; policies

- A. A HEALTH INSURER SHALL MAKE THE FOLLOWING NONPROPRIETARY INFORMATION AVAILABLE TO ALL APPLICANTS FOR CREDENTIALING AND SHALL POST THE INFORMATION ON ITS WEBSITE:
 - 1. THE APPLICABLE CREDENTIALING POLICIES AND PROCEDURES.
- 2. A LIST OF ALL THE INFORMATION REQUIRED TO BE INCLUDED IN AN APPLICATION.
- 3. A CHECKLIST OF MATERIALS THAT MUST BE SUBMITTED IN THE CREDENTIALING PROCESS.
- 4. DESIGNATED CONTACT INFORMATION, INCLUDING A DESIGNATED POINT OF CONTACT, AN E-MAIL ADDRESS AND A TELEPHONE NUMBER TO ADDRESS ANY CREDENTIALING INQUIRIES.
- B. ON COMPLETION OF THE CREDENTIALING PROCESS, A HEALTH INSURER SHALL MAKE ALL NONPROPRIETARY INFORMATION PERTAINING TO A PROVIDER'S CREDENTIALING APPLICATION AND FINAL DECISION AVAILABLE TO THE APPLICANT ON REQUEST, IF ALLOWED BY LAW.

20-3408. Recredentialing

- A. A HEALTH INSURER OR ITS DESIGNEE MAY RECREDENTIAL PARTICIPATING PROVIDERS AT LEAST ONCE EVERY THIRTY-SIX MONTHS AND MORE FREQUENTLY IF REQUIRED BY FEDERAL OR STATE LAW OR THE HEALTH INSURER'S ACCREDITATION STANDARDS, OR IF PERMITTED BY THE HEALTH INSURER'S CONTRACT WITH THE PARTICIPATING PROVIDER. NOTHING IN THIS SECTION SHALL AFFECT THE CONTRACT TERMINATION RIGHTS OF A HEALTH INSURER OR A PARTICIPATING PROVIDER.
- B. A PARTICIPATING PROVIDER REMAINS CREDENTIALED AND LOADED IN THE HEALTH INSURER'S BILLING SYSTEM UNLESS THE HEALTH INSURER DISCOVERS INFORMATION THAT WOULD RESULT IN THE PARTICIPATING PROVIDER CEASING TO MEET THE HEALTH INSURER'S GUIDELINES FOR PARTICIPATION, IN WHICH CASE THE HEALTH INSURER SHALL PROVIDE THE PARTICIPATING PROVIDER A WRITTEN EXPLANATION FOR THE CHANGE IN STATUS.

20-3409. Civil immunity; enforcement; civil penalty

- A. A HEALTH INSURER THAT COMPLIES IN GOOD FAITH WITH THE REQUIREMENTS OF THIS CHAPTER IS IMMUNE FROM CIVIL LIABILITY FOR THE PURPOSES OF REVIEWING AND APPROVING A CREDENTIALING APPLICATION.
- B. THE DIRECTOR OF INSURANCE SHALL ENFORCE THIS CHAPTER. A HEALTH INSURER THAT FAILS TO COMPLY WITH THIS CHAPTER OR WITH ANY RULES ADOPTED PURSUANT TO THIS CHAPTER IS SUBJECT TO THE CIVIL PENALTIES PRESCRIBED IN SECTION 20-456.

- 5 -

C. ON RECEIPT OF MULTIPLE COMPLAINTS OF VIOLATIONS OF THIS CHAPTER
BY A HEALTH INSURER FROM APPLICANTS OR PARTICIPATING PROVIDERS, THE
DIRECTOR OF INSURANCE SHALL CONDUCT AN EXAMINATION OF THE HEALTH INSURER
PURSUANT TO SECTION 20-156, 20-831 OR 20-1058, AS APPLICABLE TO THE
SPECIFIC INSURER.

Sec. 5. <u>Effective date</u>

This act is effective from and after December 31, 2018.

APPROVED BY THE GOVERNOR APRIL 17, 2018

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2018

Passed the House February 22 , 20 18	Passed the Senate april 5, 20 18
by the following vote: Ayes,	by the following vote:Ayes,
Nays, Not Voting Speaker of the House Chief Clerk of the House	Not Voting Not Voting President of the Senate Secretary of the Senate
	RTMENT OF ARIZONA F GOVERNOR
This Bill received	by the Governor this
day of	,20
<u> </u>	
at	o'clockM.
	
Secretary to	o the Governor
Approved this	day of
ato'clock	M.
Governor of Arizona	
GOVERNO OF THE PARTY	EXECUTIVE DEPARTMENT OF ARIZONA
	OFFICE OF SECRETARY OF STATE
	This Bill received by the Secretary of State
	this, 20
П В 2222	
H.B. 2322	ato'clockM.
	Secretary of State

HOUSE CONCURS IN SENATE AMENDMENTS AND FINAL PASSAGE

April	
by the following vote:	58 Ayes,
Nays,	Not Voting
	Speaker of the House
Jin 1	Chief Clerk of the House
	EXECUTIVE DEPARTMENT OF ARIZONA OFFICE OF GOVERNOR
	This Bill was received by the Governor this day of, 20,
	ato'nock PM.
Approved this	Secretary to the Governor day of
toil	, 20 <u>18</u> ,
at 1011	o'clock A. M.
	Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

at 5:21 o'clock P. Michael Resser

H.B. 2322